

**Approved Minutes
Meeting of the
AC TRANSIT RETIREMENT BOARD
May 12, 2022**

ROLL CALL

Chair Jeffrey Lewis called the meeting to order at 9:07 a.m.

Members Present: None
Present by Zoom: Chair Jeffrey Lewis, Vice Chair Josette Moss, Davis Riemer, Chris
 Andrichak, Robert Coleman

Members Absent:

Also present by Zoom: Hugo Wildmann, Retirement System Manager; Russell Richeda, Legal Counsel; Jason Herron, Retirement System Administrator; Bertina Ng, Retirement System Analyst; Cris Gille, Retirement System Associate Analyst; Gurman Kaur, Temporary Retirement Staff. The following attendees attended all or part of Open Session: District Board Member; Carolyn Smith, NEPC; Eric Harnish, NEPC; Michael Hursh, General Manager; Graham Schmidt, Cheiron

PUBLIC COMMENTS

None

Hugo reported on the agenda for the meeting, noting that several participants needed the meeting to be over by 1:00 p.m. He also reported that Graham and the General Manager would join the meeting at 10:00 a.m. and that Eric Harnish from NEPC would join at 11:00 a.m, and that neither Director Young nor Director Peoples would join the meeting. Hugo reminded the Board that he would be on vacation most of the time between this meeting and the next meeting. He also noted that Howard Turner had rescinded his application since the Board materials were prepared.

CONSENT CALENDAR

- A. Approval of Minutes for the April 21st Meeting
- B. Approval of Financials for January 2022
- C. Approval of Invoices for \$293,558.92
- D. Approval of Retirements for June 2022
 - 1. Wallace Campbell (June)
 - 2. Edgar Dennis (June)
 - 3. Fayette Foster (June)
 - 4. Darrell Takara (June)
 - 5. Howard Turner (June)
 - 6. Kelvin Watson (June)
 - 7. Roger Winston (June)
 - 8. Karen Bakar (June, Term Vested)

MOTION: Riemer/Andrichak to approve the Consent Calendar with Howard Turner removed from the retiree list (5-0-0-0).

The Board recognized Wallace Campbell for 32 years of service and Fayette Foster for 25 years of service.

REGULAR CALENDAR

E. Update on COVID-19 District and Department Activity

Hugo reported that the District Board voted not to continue the mask mandate on buses.

F. Approve Resolution Regarding Remote Meetings Pursuant to AB361

MOTION: Riemer/Coleman to approve the AB 361 Resolution to continue remote meetings for another 30 days (5-0-0-0).

G. Investment Performance

Hugo reported that both equities and fixed income are down this year, and year-to-date the fund is down about 11%. Hugo reminded the Board that if the Plan is down 11% then it is down about 18% percent versus the assumed rate of return of 7%. Carolyn reported on both first quarter and monthly results for the Plan noting that with few exceptions, all types of assets in the market are down. She reported that worldwide markets are down due in part to inflation and the Russian attack on the Ukraine. Commodities have been positive but increases in commodity prices are helping drive inflation.

The Plan was down 5.4% for the quarter ending 3/21/22, which slightly trailing the policy index at -5.0%, and equal to the allocation index. She continued reporting a slight reduction in fees at Loomis, Sayles. Carolyn reported that Sands is well below their benchmark for the quarter at -22% versus a benchmark of -9%. Carolyn presented a chart showing asset allocation versus other plans. The Board asked questions about risk and private equity versus other equities, as well as the incentives for private equity investment managers.

The Board took a brief break.

H. 2022 Actuarial Valuation

General Manager Mike Hursh and Retirement System actuary Graham Schmidt from Cheiron joined the meeting. The General Manager gave the Board a brief update about the District, its funding and ridership, and some information about other transit agencies in the Bay Area. Hugo began the actuarial discussion by talking about the timing of the valuation and the updates to the contribution amounts for the District and for those employees required to make contributions under PEPRA. Hugo recommended that the Board consider changing the date for implementation of the new contribution rates to January 1 of the following year rather than the current July 1 implementation. Graham mentioned that most other systems for which he is the actuary use the January 1st date of the following year. Graham reviewed some figures showing the impact of making the

change. Hugo added that, given market returns for the year, changing the date of the contribution change would delay the increase in the District's contribution. Chris Andrichak reported about how the change would positively affect payroll and make budgeting slightly more difficult.

Hugo explained that given the time it takes to prepare the figures for the Actuarial Valuation and for the Board to review those figures, making the change by July 1st is getting more and more difficult and would be very difficult this year. The Board reviewed the figures presented by Graham and essentially agreed on changing the date from July 1st to January 1st. The Board agreed to formalize this decision at its June 2nd meeting.

I. Draft Semi-Annual Report #1 for 2022

The Board briefly discussed the report and did not have any additional comments. Hugo said he would complete the update of the investment numbers and forward the report to the District Board.

J. June/July Retirement Board Meeting Logistics

Hugo reminded the Board that he would be out of the office for almost the entire time between now and the June Board meeting. The June 2nd meeting will likely be light on content, and the packet will be mailed out the Tuesday before the meeting.

K. Non-pensionability of COVID-19 Appreciation Bonuses

Hugo reported that during contract negotiations between the District and ATU an appreciation bonus was agreed to for front-line workers who worked during the pandemic. The agreement says that those payments are not pensionable. Russ summarized his memo in the Board packet. The Board discussed pensionability issues for PEPRA and non-PEPRA employees.

MOTION: Riemer/Andrichak to accept the advice from counsel in the memo that this onetime payment is not pensionable income for all types of employees. (5-0-0-0).

L. Press Inquiries to Retirement Staff and to the Retirement Board

Hugo reported that he had spoken to the General Manager on this issue and had exchanged drafts of a memo/policy on the Retirement System dealing with press inquiries addressed to the Retirement System. Hugo added that the General Manager wanted a little more time to review the latest draft.

M. Succession Planning and Staffing

HUGO reported that he and Chris Andrichak and Sebron Flenaugh had a phone call with the Executive Recruiting firm the District has contracted with to help fill the Retirement System Manager position. Sebron, Chris and Hugo were going to work on a job description and a brochure to use for the search. Chris reported that the Board will need to consider what goes in the recruitment brochure as well as the structure of the interview

process. Hugo and Chris added that the Retirement Board would have a chance to give input before any document is finalized.

N. Retirement System Manager Report

Hugo reported that there is a new District Board Member, Murphy McCalley, with a strong finance background. Hugo is planning to meet with Board Member McCalley after he returns from vacation.

Hugo also reported on the extension of a restraining order against retiree Lisa Henderson for 2 additional years. Ms. Henderson continues to call staff and recently called Director Peeples.

Hugo reported that we are still slightly behind schedule on the audit. Regarding PEPRA implementation, Hugo reported that he has meeting with several other departments later in the day to discuss the letters to update employees about the contribution rate and timing of a change in the contribution rate. He also reported that he was still working on the expense analysis and intended to bring a report about it to the July meeting. Chris Andrichak reported that the procurement of the new system for pension accounting was complete and that once the audit is complete his staff would be able to work on the implementation, and the Board could expect more timely reporting in the future.

The Board took a brief break.

O. Continuation of Private Equity Education

Carolyn introduced Eric Harnish from NEPC's research team, who focuses on private equity, particularly fund of funds managers. Carolyn and Eric reviewed material on two different but complementary managers from NEPC's focused placement list. Eric discussed possible investments in Mesirow and HarbourVest and focused on the differences between primary and secondary investments. Hugo reminded the Board about the differences between individual private equity managers and fund of funds managers. NEPC recommends that investors new to private equity begin with the fund of funds managers to get comfortable with these investment types and to have increased diversification.

The Board asked questions about how side letters work in fund of funds. Eric discussed the fee structures and cash flows associated with the two types of funds and the advantages of investing in both a primary and secondary fund at the same time. The Board asked questions about how to interpret the metrics, the difference between the IRR and the target multiple, and how time factors into those metrics.

Eric reviewed performance of the previous funds from the two managers and what the cash flows looked like over time. Eric also described co-investment deals as they related to the Mesirow fund strategy. The Board asked additional questions about NEPC's reported positives and negatives for the investments, especially the compressed investment timeline and fund size increases. Eric reported that each of the funds has been larger than the last and that NEPC is confident in the management teams. The Board asked about

reporting frequency and auditing of those reports. The Board asked questions about long term results of previously recommended managers and a comparison of private equity returns versus the overall equity market return. Hugo also reminded the Board about its previous question about buyouts and layoffs. Carolyn recommended that she return with a pacing plan and bring in one of the managers at a future meeting. The Board also asked that she investigate whether either of the managers has a policy on layoffs.

P. NEPC Workplan and Calendar

The Board reviewed and discussed Carolyn's workplan, noting that there was already time allocated next month for continued discussion of potential private equity investments.

Q. Holdback Update Memo

Hugo reported that the memo in the Board packet was a cut and paste of Russ's memo regarding the three largest holdback cases. The Board asked questions about what will staff do if ex-spouses send notification that they are pursuing their portion of the benefit but then go a long time without acting. Hugo reported that staff will need to bring those cases back to the Board with a suggested policy.

R. Evaluation of Service Providers and Periodic Requests for Proposals

Russ reported that the Board doesn't have a statutory or fiduciary obligation to do periodic reviews, but reviewing service providers on a periodic basis is among the best practices at some of the other plans he works with. . The Board asked if they could review forms from other plans to see how they review their vendors. The Board indicated that it would like to continue the discussion about vendors at either the July or August meeting.

S. Closed Session

The Board went into Closed Session with regard to Item W on the agenda. Russ reported out of closed session that with respect to item W1b the application for Occupational Disability Retirement Benefits by Bernadine Colbert, the Board unanimously granted the application with an effective date of March 1, 2022.

T. Adjournment

The Meeting was adjourned at 12:55 p.m.